

ANNUAL STATEMENT
STANDARD OIL COMPANY
(CALIFORNIA)
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To the Stockholders:

Presented herewith is the balance sheet of the Company for 1920, together with statement of operations and such other details as will be of special interest. The year was one of continued prosperity, the outstanding features of which were, first, the discovery and development of new oil-fields and a great increase in the Company's production of crude oil, an increase which was not only highly profitable but of considerable economic importance to the Pacific Coast, and, second, a growing demand throughout the Pacific Coast, Arizona, Nevada, Hawaii and Alaska for petroleum products, which outstripped the supply and resulted in heavy drafts on the reserve stocks of crude oil, which for years were carried on the Company's books at cost. The net profit for the year, after deducting depreciation, depletion and income and excess profits tax reserve, was \$41,655,254.05.

Earnings:

Earnings for the year 1920, after deducting all operating and marketing expenses, were \$59,413,819.30. From this there was written off for depreciation \$6,784,832.95, and for depletion \$3,013,732.30, a total of \$9,798,565.25. There was also deducted for Income and Excess Profits Tax an estimated amount of \$7,960,000.00, leaving a net profit carried to Surplus of \$41,655,254.05, or 18.79 per cent on invested capital and surplus of \$221,677,017.45 as of December 31, 1920.

Surplus:

Surplus account for the year was increased by \$64,186,538.64, included in which is \$36,395,316.04 representing revaluation of lands due to the discovery of oil in the Elk Hills of the San Joaquin Valley district and Huntington Beach and Brea districts of southern California. This enhanced value is set up on the books on the Company under rules and regulations of the Internal Revenue Department for the purpose of determining depletion.

Finances:

Regular cash dividends of \$10 per share, with extra dividends of \$4 per share, aggregating \$13,912,263.52 were paid on outstanding Capital Stock of the Company.

Accounts Payable December 31, 1920, amounted to \$8,187,-675.21, principally for current supplies (paid in January, 1921).

Notes Payable were liquidated in January, 1921.

Accounts Receivable are chiefly for the current sale of products. The percentage of Accounts and Notes Payable to Accounts Receivable was 67.02. The percentage on Accounts Payable alone was 45.15.

Plant Account:

During the year 1920, Plant Account was increased in all departments by expenditures for new construction and additions in amount of \$35,879,649.24.

Inventories:

Inventories amounting to \$42,895,259.70 represent supplies of \$16,880,698.89 and petroleum products of \$26,014,560.81. All inventories are valued at cost or market, whichever is lower.

GENERAL

The increase in the Company's showing for 1920 as compared with 1919 is largely due to the production of crude oil

which was developed during 1920 on unproven lands in the Elk Hills and Huntington Beach districts, which a few years ago were not considered as having oil possibilities. These two new fields together with the Company's other producing properties were surveyed during the year by the firm of Ford, Bacon & Davis, engineers of New York, and were valued by them at over \$250,000,000.

Your Directors viewed with much concern early in 1920 the rapidly declining stocks of crude oil in the State of California and realized that if the markets normally supplied from California were to be provided with their requirements, a large increase in the production of crude oil in California was necessary.

So far as fuel oil was concerned the draft on stocks was due not to decreased production but to the heavy increase in consumption. One illustration of this was the fact that during the year 1920 the United States Navy and the United States Shipping Board boats consumed more than 8,000,000 barrels of California oil as compared with but little more than 900,000 barrels in 1918. The situation regarding gasoline was similar in that production showed no decrease but consumption increased with such rapid strides that it was necessary during the year for the Company to bring from Mexico and the Mid-Continent fields nearly 2,000,000 barrels of this product to supply the trade formerly furnished from California. During the period of peak demand for gasoline owing to the shortage and the inability of the railroads to move the product (during the switchmen's strike) the Company gave preference to those customers requiring gasoline for industrial and agricultural uses, and the success of this policy was demonstrated through the fact that during this period there was no curtailment of food production nor interference with industry.

During the latter part of the year the large increase in the

Company's production of crude oil, due to the discovery of the Elk Hills field, gave promise of an increased supply of both fuel oil and gasoline. This is indicated in the fact that in January, 1920, the Company's average daily production of crude oil was 69,158 barrels, while in December, 1920, the average daily production of crude oil was 105,307 barrels. This increase of 36,149 barrels represents about 70 per cent of the daily increase for the entire State of California for December as compared with January of the same year.

Notwithstanding this large increase in production during the latter part of the year, the Company's stocks of all petroleum products declined for the year at the rate of 10,437 barrels per day or a total decline of 3,809,715 barrels.

CRUDE OIL PRODUCTION

The gross production from the Company's wells was 29,073,429 barrels of crude oil, a daily average of 79,436 barrels as compared with 25,484,984 barrels in 1919, a daily average of 69,822 barrels, a gain of 9,614 barrels daily, equivalent to an increase of 13.8 per cent.

Eighty-six oil wells and one gas well were completed during the year.

At the end of the year the Company was engaged in drilling 56 new wells, and redrilling 19 old wells, a total of 75 strings of tools.

CRUDE OIL RUNS

The total crude oil runs of the Company, including the Company's own production in 1920, amounted to 107,358 barrels per day, a decrease of 4,242 barrels daily over 1919.

STOCKS OF PETROLEUM PRODUCTS

The total stock of crude oil on hand as of December 31, 1920, was 7,615,219 barrels. The total of all stock (crude, semi-finished and finished stocks) was 15,660,066 barrels, a decrease

in crude of 452,860 barrels and in the total of all stocks of 3,809,715 barrels (10,437 barrels per day).

CRUDE OIL PRICES

The base price of \$1.23 per barrel offered by the Company on June 10, 1919, for heavy crudes, was unchanged until March 17, 1920, when the Company increased its offer for the heavy crudes 25 cents per barrel. The offers for refinable grades at the same time represented increases of 26 cents to \$1.26 per barrel for the very highest grades. On July 10, 1920, the Company increased its offer 12 cents per barrel for all grades.

PRODUCING PROPERTIES

The Company's producing operations during 1920 were most successful.

The Company's development on its Tupman fee property at the east end of the Elk Hills, and referred to in the last annual report, on which the first well was completed in February, 1920, resulted in a daily average production in December, 1920, of 37,438 barrels.

In southern California, the Company's wildcat efforts resulted in the discovery of the Huntington Beach field in Orange County, and there is evidence to believe that this field will prove a large producer. One of the wells finished in this area had an initial production estimated at 6,000 barrels per day. The casing collapsed in the well shortly after it was brought in and redrilling is now in progress. Since the first of this year the Company has completed several wells in that locality, each with an initial daily production of 500 to 800 barrels. The Company has 5,514 acres of land under lease in this district at this time.

The discovery of a new oil horizon at a depth of approximately 4,000 feet on the Kraemer No. 2 property in the Richfield District, southern California, has added materially to the Company's production on that property.

During the last months of the year the Company leased 1,628 acres of land about 12 miles northwesterly from Huntington Beach and a test well is now under way there. Geological conditions appear much the same as those at Huntington Beach.

Two miles east of the Company's refinery at El Segundo in Los Angeles County, southern California, the Company has 1,293 acres under lease adjacent to a wildcat well in which high gas pressure was encountered. A well drilled by the Company on its holding also secured gas accompanied by high pressure. The value of this district for gas or the possibility of oil at greater depths is yet to be determined.

Over 9,000 acres were leased in Ventura County on three geologic structures and drilling is now under way on one of these structures.

The Company is also "wildcatting" in other parts of this state and in Washington.

In addition to its domestic operations, the Company has geological parties in Central and South America and in Mexico.

Through its subsidiary the Richmond Petroleum Company (entirely owned by the Company) it is prospecting in Rio Blanco County, Colorado, and is drilling on the Bondoc Peninsula, Island of Luzon, Philippine Islands.

MANUFACTURING DEPARTMENT

Refining facilities were increased by \$13,663,361 during the year. A new office building and new mechanical shops were completed at Richmond and new mechanical shops at El Segundo. Work is progressing on a new can factory at Richmond and on the installation of 40 new pressure units at Richmond and El Segundo. A restaurant, to be operated on the cafeteria plan, is being constructed at Richmond, which when completed will provide for approximately 1,500 men.

Several valuable improvements in refining process were developed and perfected during the year.

MARINE DEPARTMENT

During the year the Company contracted for one single-screw tank steamer, 10,200 tons deadweight capacity, and three twin-screw tank steamers, each of 15,000 tons deadweight capacity. These four ships together with two other ships now building, contracted during 1919, will be delivered during 1921. The Company purchased the S.S. "S. C. T. Dodd," a new single-screw tank steamer of 9,752 tons deadweight capacity. The aggregate cost of these seven ships represents an expenditure of about \$17,000,000. Of the vessels contracted for in 1919, the S.S. "W. S. Miller," 10,200 tons, and the M.S. "Charlie Watson," 2,300 tons, were delivered in 1920 and are now in service. The S.S. "Asuncion," formerly in the Pacific Coast oil trade, and the S.S. "San Jose," employed in the Sacramento River trade, were sold during the year. The 10,000-ton steamers, "Dillwyn," "Dilworth" and "Quabbin," chartered from the United States Shipping Board, were in service almost continuously throughout the year, and have now been returned to the owners.

PIPE LINE DEPARTMENT

During the year pipe lines were extended to the Company's new fields in the Elk Hills and Huntington Beach districts at a cost of \$540,000.

SALES DEPARTMENT

The Sales plant account was increased by \$4,016,600. Twenty-seven new sub-stations were added during the year, making the total 411. Forty-three new service stations were added, making a total of 261. There were also added 266 motor trucks and 177 automobiles.

AUTOMOBILES AND TRUCKS

On December 31, 1920, the Company had in service in all departments 1,361 motor trucks and 1,059 automobiles.

TAXES

Payments were made during the year for taxes as follows :

Federal income and excess profits tax (1919)	\$9,206,862.08
Federal capital stock tax	374,914.11
Franchises and licenses	317,032.43
Property taxes for 1920	2,607,899.93
Total	\$12,506,708.55

Of the above property tax \$2,355,283.70 were paid on property in California, and \$252,616.23 on property in other states. Property taxes increased for the year \$890,034.91 or 51.81 per cent. This increase is largely attributable to higher tax rates.

EMPLOYEES

On December 31, 1920, the number of employees was 18,805, an increase of 2,446 over December, 1919, and the Company's payroll for 1920 increased 33.91 per cent over 1919. This increase represents an average increase per employee of 9.12 per cent.

NEW HOME OFFICE BUILDING

It became evident to your Directors early in 1919 that increased facilities were necessary to accommodate the home office employees of the Company and during that year it became necessary to lease space in two nearby buildings to accommodate more than three hundred employees of the Company. Early in January, 1920, the Company purchased on the southwest corner of Bush and Sansome streets immediately opposite the present building, in San Francisco, property 137.5 feet by 206.25 feet on which the Company has started the construction of a twenty-two-story office building.

PERSONNEL DEPARTMENT

During the year the Company centralized at its home office the personnel work formerly carried on by each department,

and placed this in the hands of a manager who is directly responsible to the Board of Directors.

MEDICAL DEPARTMENT

During the year the Company has centralized in a Medical Department established at its home office, in charge of a chief surgeon, all of its activities regarding the health of its employees. The hospital at the El Segundo refinery was enlarged during the year. The Company during the year erected an emergency hospital in the Midway oil-fields and has arranged for the building of a hospital for the treatment of the tuberculous at Colfax, California.

STOCKHOLDERS

The number of stockholders increased during the year from 7,140 to 7,452. Forty-five per cent of the stockholders are women.

CONSOLIDATED BALANCE SHEET
STANDARD OIL COMPANY

AND
RICHMOND PETROLEUM COMPANY
(Entirely owned by Standard Oil Company)

Assets

Plant	\$174,282,899.43	
Government Securities	3,885,569.04	
Other Investments	159,461.27	
Inventories	42,895,259.70	
Accounts Receivable	17,753,404.00	
Notes Receivable	380,825.17	
Deferred Charges	2,708,454.33	
Cash	3,689,733.60	
Total		\$245,755,606.54

Liabilities

Capital Stock		
Authorized	\$100,000,000.00	
Unissued	626,689.17	
		\$99,373,310.83
Accounts Payable	8,187,675.21	
Notes Payable	3,965,000.00	
Merchandise due on Contract	724,052.83	
Income and Excess Profits		
Tax Reserve	7,960,000.00	
Suspended Earnings	2,897,697.34	
Insurance Reserve	94,163.71	
Stock Premium	250,000.00	
Surplus Account	122,303,706.62	
Total		\$245,755,606.54

Earnings and Surplus

Earnings for the Year	\$59,413,819.30
Less Depreciation and Depletion	9,798,565.25
Gross Profit for the Year	\$49,615,254.05
Less Income and Excess Profits Tax Reserve (estimated)	7,960,000.00
Net Profit for the Year	\$41,655,254.05

Surplus Account

Surplus January 1, 1920	\$58,117,167.98
Adjustments Account, 1919 Taxes, Etc.	48,232.07
	\$58,165,400.05
Net Profits 1920	41,655,254.05
*Appreciation Account Discoveries New Oil Fields	36,395,316.04
	\$136,215,970.14
Less Dividends	13,912,263.52
Surplus, December 31, 1920	\$122,303,706.62
Earned Surplus December 31, 1920	\$55,406,099.17
Appreciated Surplus December 31, 1920	66,897,607.45
Total Surplus	\$122,303,706.62

*This represents enhanced values due to discoveries of oil on Company's land, referred to in statement, and is set up on books of Company in accordance with rules and regulations of the Internal Revenue Department for the purpose of determining depletion.

Respectfully Submitted

December 31, 1920

K. R. KINGSBURY, *President*

